

Message Text

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TO USMISSION USUN NEW YORK

LIMITED OFFICIAL USE STATE 107810

FOR IOA DAVID STOTLEMYER

FOLLOWING REPEAT GENEVA 3318 ACTION SECSTATE DATED 7 MAY 75
QUOTE
LIMITED OFFICIAL USE GENEVA 3318

E.O. 11652: N/A
TAGS: GATT ETRD OCON
SUBJECT: GATT SALARIES AND ALLOWANCES

REF: (A) GENEVA 2981; (B) STATE 88495

BEGIN SUMMARY: MANY KEY DELS CONTINUE OPPOSE D.G. LONG'S
PROPOSAL TO SET ACCOUNTING EXCHANGE RATE, BUT THERE ARE SIGNS
U.S. IS BECOMING INCREASINGLY ISOLATED IN OPPOSING REIMBURSE-
MENT OF LOSSES WITH 1974 SURPLUS. END SUMMARY.

1. RECENT DISCUSSIONS WITH GATT DELS CONFIRM THAT FRANCE, FRG,
JAPAN, U.K. CONTINUE OPPOSE D.G. LONG'S PROPOSAL TO SET YEAR-
LONG ACCOUNTING EXCHANGE RATE AS INCONSISTENT WITH U.N. COMMON
SYSTEM AND AS ESTABLISHING UNACCEPTABLE PRECEDENT. THUS, SITUATION
RE THIS BASIC PROPOSAL REMAINS AS REPORTED IN REFTEL (A).

2. WITH REFERENCE TO PARA 5 OF STATE 88495, HOWEVER, WE MUST NOW
REPORT SIGNS THAT U.S. IS BECOMING INCREASINGLY ISOLATED ON
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QUESTION OF USING 1974 EXCESS BUDGET SURPLUS AS SOURCE TO REMUNERATE
EMPLOYEES FOR UNCOMPENSATED LOSSES RESULTING FROM DECLINE
IN VALUE OF DOLLAR. JAPAN, NETHERLANDS WERE ALREADY PREPARED
GO ALONG; FRENCH AND CANADIAN DELS HAVE NOW BEGUN SPEAK

OF FLEXIBILITY ON THIS PROPOSAL. U.K. STILL OPPOSES BUT THEIR DEL EXPECTS LONDON TO GO ALONG IF PROSPECT OF STRIKE DURING JULY TNC MEETING BECOMES SERIOUS. FRG HAS GIVEN NO HINT OF YIELDING; IN LATEST INFORMAL DISCUSSIONS AROUND TOWN WE HAVE REPEATED THAT U.S. OPPOSES BOTH PROPOSALS.

3. FRENCH, U.K., CANADIAN OFFICIALS HAVE ASKED WHETHER U.S. REALLY INTENDS RISK DISRUPTION OF MTN OVER THIS ISSUE. SOFTENING IN OTHER DEL POSITIONS IS DUE AT LEAST IN PART TO DISILLUSIONMENT OVER LENGTHY PERIOD OF INACTION BY U.N. SINCE PROBLEM WAS FIRST ADDRESSED BY GATT BUDGET COMMITTEE IN 1973 (GENEVA 5357, 5474, 5586 OF OCTOBER 1973). AT THAT TIME, MAJOR CONTRIBUTORS HAD BEEN WILLING STAND FIRM WITH U.S. THAT ISSUE MUST BE HANDLED IN U.N. CONTEXT.

4. AS DEPT. AWARE, OROGINAL SWFR 2,520,000 1974 SURPLUS WAS EARMARKED BY BUDGET COMMITTEE AND LATER GATT SESSION FOR SPECIFIC USE; LONG IS NOT PROPOSING TO GO BACK ON THOSE DECISIONS OR THOSE AMOUNTS. PROPOSAL ONLY DEALS WITH AN ADDITIONAL 1974 SURPLUS OF SWFR 514,409, WHICH ACCUMULATED IN EXCESS OF ORIGINAL FACTORS: (A) DELAY IN BEGINNING OF BARGAINING STAGE OF MTN UNTIL 1975, (B) DELAY IN BEGINNING RENOVATION OF FUTURE GATT QUARTERS CAUSED BY LATE ILO EXIT AND PRESENT CSCE USE OF OLD BUILDING, AND (C) FURTHER REDUCTIONS IN COMPENSATION TO GATT STAFF OCCASIONED BY DECLINE IN DOLLAR WHICH NOT MADE UP BY POST ADJUSTMENT MECHANISM.

5. MISSION HAS OBTAINED FOLLOWING FURTHER DETAILS ON EXCESS SURPLUS REIMBURSEMENT PROPOSAL. EXCESS WOULD BE PAID OUT IN DIRECT PROPORTION TO EXCHANGE-RATE INCOME LOSSES SUFFERED BY EACH PROFESSIONAL-LEVEL EMPLOYEE IN 1974. AMOUNTS WOULD BE COMPUTED ACCORDING TO NUMBER OF EXCHANGE-RATE RELATED POST ADJUSTMENT CLASSES IN EFFECT DURING EACH MONTH OF 1974 AND ONLY IN AMOUNT THAT POST ADJUSTMENT MECHANISM FAILED TO COMPENSATE EMPLOYEE. GREATEST BENEFIT WOULD THUS GO TO EMPLOYEES WITHOUT DEPENDENTS. SINCE TOTAL AMOUNT OF FUNDS AVAILABLE IS 3.5 PERCENT SMALLER THAN TOTAL LOSSES INCURRED, EACH PROFESSIONAL EMPLOYEE'S LIMITED OFFICIAL USE
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PAYMENT WOULD BE DIMINISHED BY THIS PERCENTAGE. COPY OF SHORT PAPER FROM SECRETARIAT EXPLAINING DETAILS OF PROPOSAL BEING POUCHED IO/OIC (JACKSON), BUT THESE DETAILS ARE ESSENTIALLY AS EXPLAINED ABOVE.

6. U.S. POSITION OF CONTINUING RESIST THIS SECOND PROPOSAL IS MADE DIFFICULT BY FACT THAT (A) U.S. AND OTHER CPS WERE WILLING BREAK RANKS WITH U.N. SYSTEM AND ESTABLISH GATT BUDGET IN SWISS FRANCS, BUT (B) WHEN EXCHANGE RATE CHANGES CAUSED VISIBLE ACCUMULATION OF FUNDS WITHHELD FROM STAFF'S SALARIES AND ALLOWANCES, WE HAVE REFUSED TAKE SEPARATE ACTION. MISSION NOTES THAT 1972 ADOPTION SWISS FRANC BUDGET FOR GATT HAS NOT TO DATE TRIGGERED PROLIFERATION OF GENEVA-WIDE ABANDONMENT

DOLLAR BUDGETS. WE BELIEVE THIS AT LEAST PARTLY DUE TO UNIQUE STATUS OF GATT, WHICH (1) IS NOT PART OF UN SYSTEM, ALTHOUGH IT HAS ADOPTED UN COMMON SYSTEM FOR PERSONNEL MATTERS, (2) IS SMALL, AND (3) UNLIKE OTHER ORGANIZATIONS WITH STAFF HERE, IS WHOLLY GENEVA BASED. GATT EMPLOYEES ARGUE THAT DISTINCTION BETWEEN GATT AND GENEVA UN ORGANIZATIONS THAT WOULD RESULT FROM DISTRIBUTION OF EXCESS 1974 SURPLUS COULD BE JUSTIFIED ON BASIS THAT GATT HAS SWISS FRANC BUDGET.

7. DESPITE FACT THAT SWITCHING GATT BUDGET TO FRANCS IN 1972 DID NOT CAUSE PROLIFERATION OF SWITCHES, WE BELIEVE THERE IS RPT IS LIKELIHOOD THAT OTHER GENEVA EMPLOYEES MIGHT EVENTUALLY ASK SIMILAR COMPENSATION. HOWEVER, OTHERS DO NOT HAVE DANGLING BEFORE THEM RATHER UNSETTLING GOAD OF VISIBLE BUDGET SURPLUS WHICH HAS RESULTED LARGE FROM REDUCTIONS IN STAFF PAY. WE ALSO AWARE THERE IS PROBLEM OF PRECEDENT WHICH DISTRIBUTION OF EXCESS 1974 SURPLUS WILL SET FOR FUTURE GATT BUDGETS. THIS ISSUE WILL SIMPLY HAVE TO BE FACED ALONG WITH LARGER PROBLEM OF EXCHANGE-RATE EFFECTS ON U.N. -SYSTEM COMPENSATION.

8. CONCLUSIONS: WITH MAJOR CONTRIBUTORS HOLDING FIRM ON OPPOSING LONG'S FIXED EXCHANGE-RATE PROPOSAL, DO NOT BELIEVE THERE IS NEAR-TERM DANGER THAT GATT COUNCIL WILL APPROVE ANY MAJOR BREACH OF COMMON SYSTEM. FINAL DECISIONS ON U.S. POSITION ON REIMBURSEMENT FROM 1974 EXCESS SURPLUS, HOWEVER, SHOULD TAKE ACCOUNT OF OUR GROWING ISOLATION ON THIS ISSUE, OF THE BROADER IMPLICATIONS OF A POSSIBLE LONE U.S. OR U.S./FRG OPPOSITION TRIGGERING A DISRUPTIVE STRIKE DURING MTN, AND OF POSSIBILITY WE MAY BE VOTED DOWN ANYWAY. IF LATTER SHOULD LIMITED OFFICIAL USE
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MATERIALIZE, IN ADDITION TO OTHER DISADVANTAGES, IT WOULD BREACH IMPORTANT GATT TRADITIONS OF OPERATING ON CONSENSUS. ABRAMS UNQUOTE
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